

SUDAN MONTHLY MARKET UPDATE

Bulletin # 26

February 2010

SUMMARY:

Despite stabilized global cereal market situation, local cereal prices remained much above average throughout 2009 and increased or remained high during January 2010. All cereal prices remained stable at a very high level in all selected major markets of the country. Rural cereal and general food price indices have followed the same abnormal trend in contrast to the normal years. Such high level prices at this time of the year seem to indicate that supply is very tight. Demand is currently surpassing supply and it is likely to continue unless it is accompanied by some dramatic shifts in Government policy in accommodating these recent developments in markets. These higher prices have already put staple food out of the reach of poor households in both agricultural and pastoral areas. This will continue to have a deleterious impact on the purchasing power of the food insecure poorer households, who rely on the market to meet their food needs for major parts of the year.

This *Monthly Market Update* is designed to better inform decision makers and analysts in Sudan of current prices and market trends. The data sources for the 15 Northern States of Sudan are from the available data collection system of the Ministry of Agriculture and Forestry/Ministry of Animal Resources and Fisheries (MAF/MARF) and Animal Resources Services Company (ARSC). Emphasis is given to sorghum, millet and wheat and camels, sheep, goats, and cattle because these selected commodities are dominant in the volume of trade and consumption patterns of the society.

The authors' views expressed in this publication do not necessarily reflect the view of the European Delegation in Sudan or the Sudanese Government or the Food and Agricultural Organization of the UN. Please send your suggestions to: Yahia.Awadelkarim@fao.org; alemu.asfaw@fao.org

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Figure 1: Real Wholesale Prices for Sorghum in Khartoum (Feb 2006 – Jan 2010).

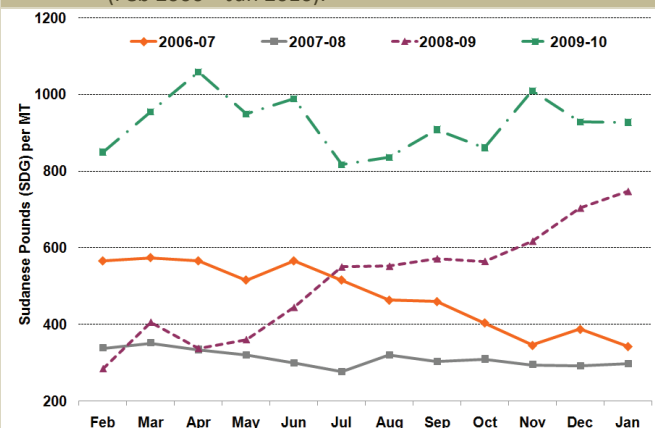
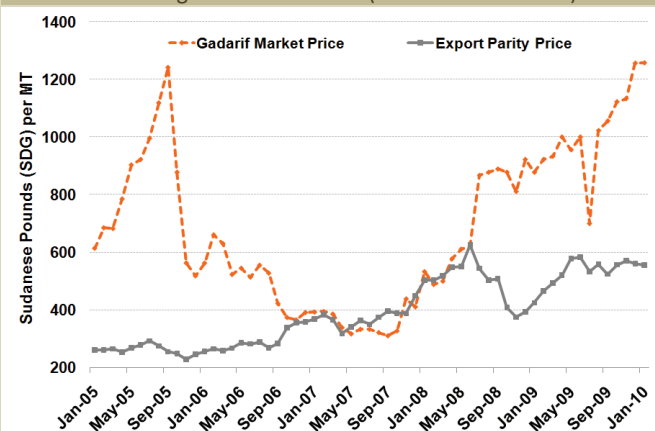


Figure 2: Comparison of Export Parity (XPP) and Domestic Prices for Sorghum from Gadarif (Jan 2005 – Jan 2010).



Source: Data Archives of Ministry of Agriculture and Forestry (MAF) and the Central Bureau of Statistics (CBS). International prices are from USDA and International Grain Council, www.fao.org/es/esc/prices/

Figure 3: Crop Calendar (Sorghum and Millet) – Rain-fed¹ and Irrigated

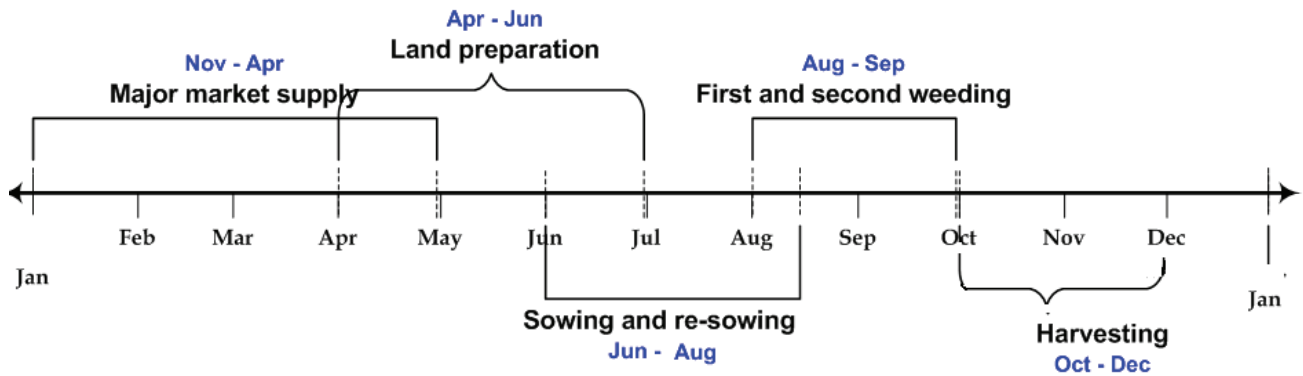
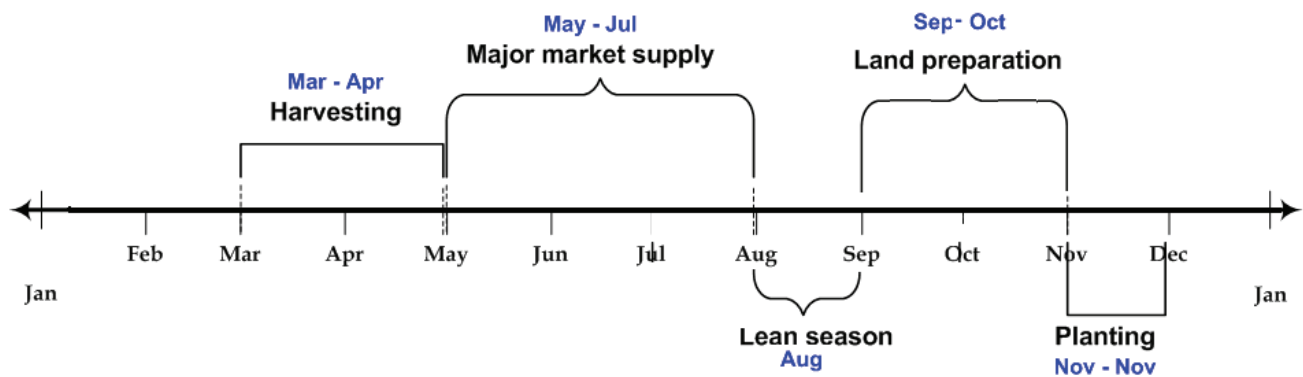


Figure 4: Crop Calendar for Wheat



Source: Ministry of Agriculture and Forestry (MAF), Ministry of Animal Resources and Fisheries (MARF).

Figure 5: Relative Price Increases – Food Inflation / Non-food Inflation in Sudan (Jan 2009– Jan 2010).

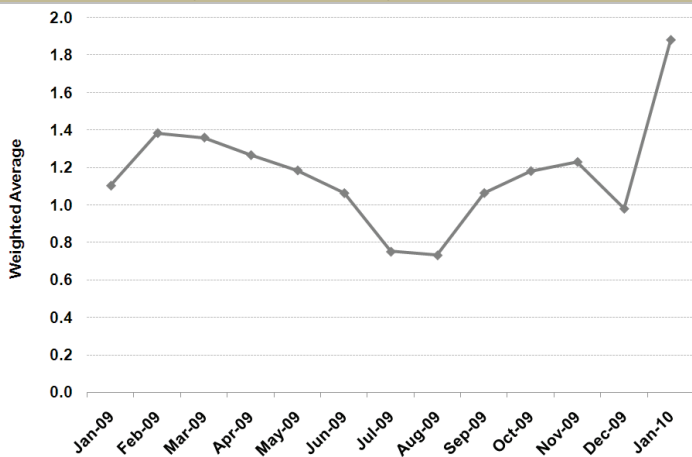
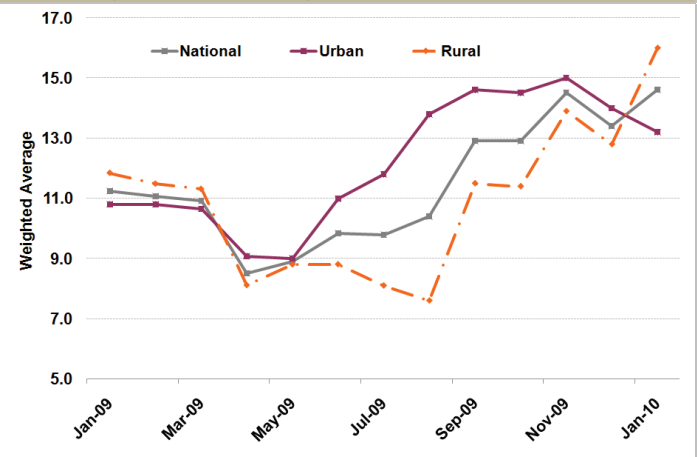


Figure 6: Monthly Inflation Rates in Sudan (Base 2007 = 100) (Jan 2009– Jan 2010).



Source: The Central Bureau of Statistics, Consumer Price Indices and Inflation Rates - Sudan and Khartoum 2008/09.

Note: Consumer Price Indices (CPI) for the relative price increases and inflation rate trends are weighted averages representing all income groups' trend analysis. The recent consumer price indices are introduced since August 2008 after the revisions done through expenditure surveys. In Sudan, volatilities of price indices and inflation rates are higher in rural areas compared to urban settings. However, the variations look to be disappearing and consistent for the last six months.

¹ The rain-fed farming system (traditional and semi-mechanized) covers about 70 percent of overall cereals (sorghum, millet, and wheat) and cash crops (sesame, groundnut, cotton, and sunflower) production in the Northern States of Sudan. However, significant variations exist among States and also by crop type.

Figure 7: Nominal Wholesale Prices of Staple Cereals in Khartoum, (Jan 2009– Jan 2010).

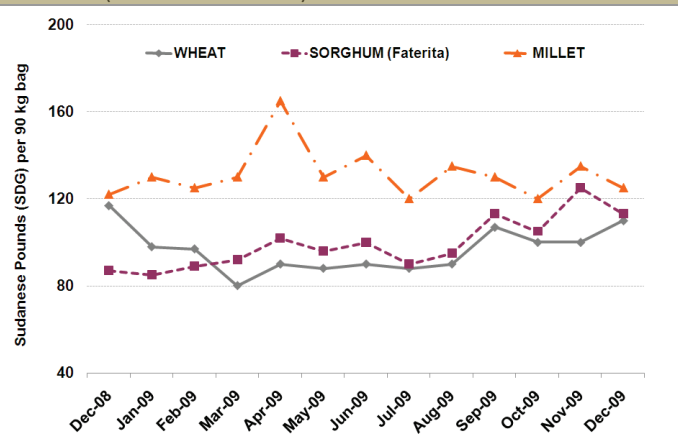


Figure 8: Real and Current Wholesale Prices of Sorghum (Faterita) in Khartoum (Jan 2009– Jan 2010).

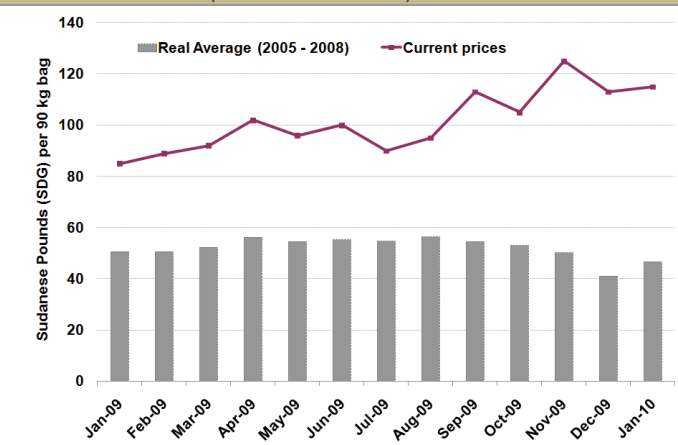


Figure 9: Nominal Wholesale Sorghum (Faterita) Prices for Selected Markets (Jan 2009– Jan 2010).

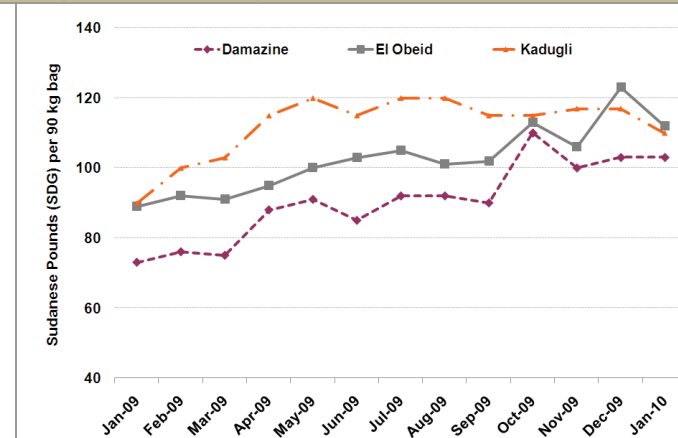
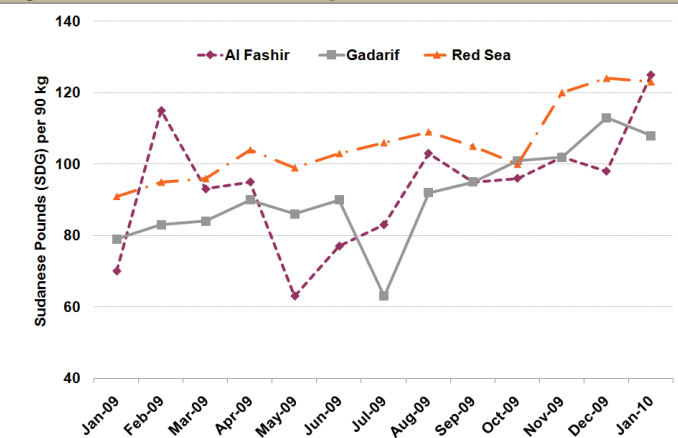


Figure 10: Baladi Sheep Prices in Elsalam Livestock Market – Omdurman (Jan 2009– Jan 2010).

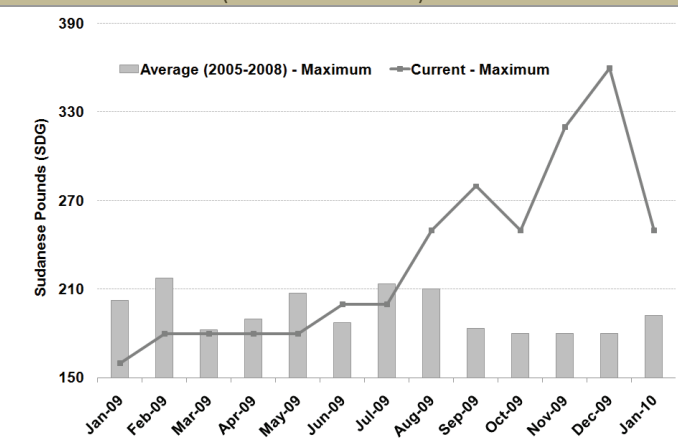
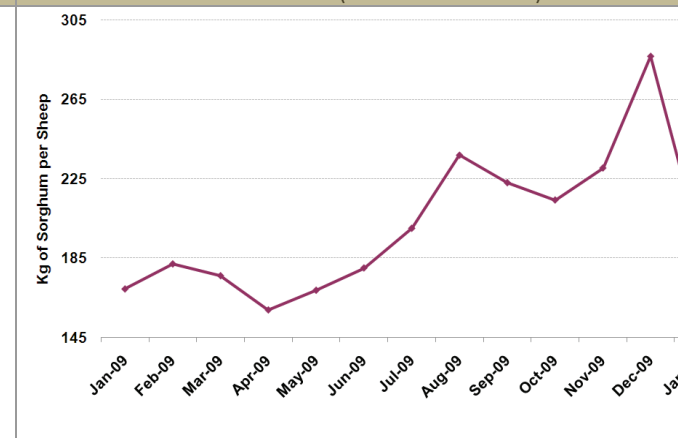


Figure 11: Terms of Trade for Baladi Sheep in Elsalam Livestock Market – Omdurman (Jan 2009– Jan 2010).



Source: Data archives of MAF/MARF, and Animal Resources Services Company (ARSC). Graphics by SIFSIA-N (GNU).
Notes: (1) Prices are expressed in Sudanese Pounds per 90 kg bag for cereals and per animal for sheep.
 (2) One bag = 90 kg; 1 US \$ ≈ 2.48 Sudanese Pounds (SDG).
 (3) The average difference between maximum and minimum prices of Baladi sheep is about 25 Sudanese pounds (SDG). Sheep price is for an average weight of 13 kg. Average prices (2002 - 07) for Figure 8 are deflated by their respective consumer price index values.
 (4) Terms of Trade (TOT) is expressed in quantity of sorghum per sheep.

MARKET ANALYSIS :

Prices typically decline during the main *summer* harvest (October – January). Counter to expectation, cereal prices failed to decline during the 2009/10 harvest in most Sudan markets, holding steady at levels significantly above historical average levels throughout 2008-09 and the beginning of 2010. Since July 2009, in particular, cereal prices have either remained flat or increased further widening the gap between current and average prices (Figures 8). January 2010 cereal prices in Khartoum were 147 percent higher than the average (Jan 05 - Jan 09) and 35 percent higher than the same time last year (last year prices increased by almost 100 percent compared to 2007 – pre-global food crisis period). The major reason for the price increase had been a significant decline in the food supply outlook for 2010 – this is 30 percent below the previous five-year average and 35 percent below the 2008/09.

Due to the persistent high level cereal prices and recent decline for livestock prices, grain-livestock terms of trade in livestock dependent areas have turned in favor of grain traders who now tend to get more animal per sack of grain traded than previously. Livestock prices are declining in many areas because of excess supply spurred on by the need of many households to release their livestock with declining livestock condition as feed and water shortages set in. Unfavorable terms of trade for pastoralists are expected to exacerbate the food security situation.

Rural cereal and general food price indices have followed the same abnormal trend in contrast to the previous years. According to the Central Bureau of Statistics (CBS) sources, overall rural inflation rates increased from 12.8% in December 2009 to 16% in January 2010. On the other hand, the urban inflation rates declined from 14% to 13.2%. The relative food to non-food changes has increased dramatically – in January 2010 food inflation rates are going much above non-food rates. (Figures 5 and 6).

With very high level and increasing sorghum prices in Gadarif and continued stable international prices in January, the gap between the Export Parity Prices (XPP) and the local wholesale prices has widened. (Figure 2). The local sorghum prices continued to be much expensive compared to the international market.

Although an increase or stability in cereal prices is normal in the immediate post-harvest season (February to March), given the very high level of current prices in the country, the trend is particularly worrying this year. Consequently further price increases are anticipated in most markets in the post-harvest period (starting from March 2010) and during the typical hungry season (June-August) as an increasing number of rural households deplete their stocks and resort to purchases from the market and reliance on the market is particularly high.

Zakat and Strategic Reserve Corporation (SRC) have continued to inject grain and financial resources to the poor. While the sustainability of these efforts remains to be seen, stabilization must also involve other line ministries and private grain traders who can play a significant role, at least in the short run, in helping poor consumers to get lower prices at the market. Coordination among various agencies engaged in these efforts is critical to avoid speculation and consequent price hikes as these injections may have an inflationary effect on food prices.

The next couple of months will be critical in determining whether the current cereal price support efforts will have a sustainable impact or not. The SRC in collaboration with MoAF-SIFSIA are planning to jointly undertake a cereal availability survey during Feb - March. The purpose of this study is to provide a more authoritative estimate of the amount of cereals by geographic location that could be potentially available to be purchased from the domestic market without causing significant price hikes.

On the surface, very high grain prices may appear good for producers; however, they erode the purchasing power of many consumers in Sudan, and ultimately act to reduce effective demand. In the long run, lack of consumers effective demand due to escalating prices coupled with the expected input price increase may prove a disincentive for extensive cereal cultivation next season even in the surplus producing areas via negative impact with reduced demand for their produce. Unless this trend is reversed, it will also continue to have a deleterious impact on the poor, who invariably rely on the market to meet their food needs for major parts of the year.